

# INCREASING ACCESS TO AFFORDABLE HOUSING BY EXPANDING THE HOUSING CHOICE VOUCHER PROGRAM

by  
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A capstone project submitted to Johns Hopkins University in conformity with the  
requirements for the degree of Master of Arts in Public Management

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## **ABSTRACT**

Providing decent and affordable housing for all Americans has been a major national policy area since the enactment of New Deal legislation in the 1930s and the formation of the U.S. Department of Housing and Urban Development (HUD) as a cabinet-level entity in 1965. In the intervening years, the federal government has established several programs intended either to build and maintain affordable housing or subsidize the cost of housing for families in need. However despite these efforts, the number of renter households that expend more than 30 percent of their income on housing costs has risen steadily since the 1960s, as rents have increased while incomes stagnated. For millions of families across the United States, the onerous burden of high housing costs is resulting in many negative outcomes, including financial uncertainty and a lessened ability to pay for other necessities, such as food and medical care.

In an effort to ensure that all American families have access to safe, affordable housing, this capstone proposes a vast expansion of HUD's Housing Choice Voucher Program, which provides rental subsidies for low-income families. This proposal would dispense with the lottery format of the current program, instead providing housing vouchers for every family who is income-eligible. Moreover, landlords would be required to accept vouchers, thereby easing the housing search for voucher families. Housing vouchers have been shown to be one of the most cost-effective forms of housing assistance.

Advisor: Professor Paul Weinstein

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## **MEMORANDUM**

**To:** Charles Schumer, Senate Minority Leader

**From:** Hannah Chen, Policy Analyst

**Date:** May 7, 2019

**Subject:** Policy Proposal—Addressing the Affordable Housing Crisis

### **ACTION-FORCING EVENT**

On December 21, 2018, the President and CEO of the National Low Income Housing Coalition (NLIHC), Diane Yentel, testified in a hearing before the House Committee on Financial Services and called for comprehensive housing finance reform to address the ongoing and pervasive affordable housing crisis in the United States. In her statement, Ms. Yentel reported that the nation's supply of affordable rental housing has not kept pace with demand, an issue that predominantly affects the lowest income renters. The economic result of this housing shortage is that a record number of American citizens cannot afford decent housing.<sup>1</sup>

### **STATEMENT OF THE PROBLEM**

The dearth of affordable housing in the United States is a nationwide issue, affecting every state and congressional district. NLIHC reported in 2018 that there was nowhere in the United States (no town, city, or county in any state) where a worker earning either the federal minimum wage of \$7.25 per hour or the state minimum wage<sup>2</sup> could afford to rent a two-bedroom home (at the fair market rate) by working the standard 40-hour week. By those same standards, there are only 22 counties (out of over 3,000 counties in the nation) in which that same worker

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<sup>1</sup> U.S. Congress, House of Representatives, Committee on Financial Services, *Testimony of Diane Yentel, President and CEO, National Low Income Housing Coalition*, 115<sup>th</sup> Cong., 2<sup>nd</sup> sess., December 21, 2018, [https://financialservices.house.gov/uploadedfiles/12.21.201\\_diane\\_yentel\\_testimony.pdf](https://financialservices.house.gov/uploadedfiles/12.21.201_diane_yentel_testimony.pdf).

<sup>2</sup> Georgia and Wyoming are tied for the lowest state minimum wage (\$5.15 per hour), while the District of Columbia has the highest, at \$13.25. Five states (Alabama, Louisiana, Mississippi, South Carolina, and Tennessee) have no minimum wage at all. Source: "State Minimum Wages: 2019 Minimum Wages by State," *National Conference of State Legislatures*, January 7, 2019, <http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx>.

would be able to afford to rent a one-bedroom home. The gap between income and the cost of housing is not only limited to federal minimum wage earners, however—NLIHC estimates that the average renter in the United States earns an hourly wage of \$16.88, well above the federal minimum wage but still lower than the wages needed to afford a two-bedroom (\$22.10 per hour) or one-bedroom home (\$17.90 per hour).<sup>3</sup>

In 2017, 20.8 million renter households in the United States were cost burdened and 11 million were severely cost burdened, nearly 8 million of which were extremely low-income (ELI) families.<sup>4</sup> The U.S. Department of Housing and Urban Development (HUD) considers a home “affordable” when all of the associated costs of housing (rent, utilities, etc.) account for no more than 30 percent of the household’s income (this definition is used by organizations such as NLIHC as well). According to HUD’s definition, a family that spends more than that proportion of income on housing costs is considered “cost burdened,” and families that spend more than half of their total income on housing are “severely cost burdened.” At present, only 7.5 million affordable rental units exist for the nation’s 11 million ELI renter households. A household is considered ELI by HUD when the family earns no more than 30 percent of the area median income, or AMI (the average household income in their metropolitan area).<sup>5</sup> Furthermore, not all of these 7.5 million homes are available to those who need them—approximately 3.5 million are occupied by higher income households, making it even more difficult for the lowest income families to find a unit that they can afford.<sup>6</sup>

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<sup>3</sup> “Out of Reach: The High Cost of Housing,” *National Low Income Housing Coalition*, 2018, [https://nlihc.org/sites/default/files/oor/OOR\\_2018.pdf](https://nlihc.org/sites/default/files/oor/OOR_2018.pdf).

<sup>4</sup> “The Gap: A Shortage of Affordable Homes,” *National Low Income Housing Coalition*, 2018, [https://reports.nlihc.org/sites/default/files/gap/Gap-Report\\_2018.pdf](https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2018.pdf); T.R. Goldman, “Using the Low-Income Housing Tax Credit to Fill the Rental Housing Gap,” *Health Affairs*, June 7, 2018, <https://www.healthaffairs.org/doi/10.1377/hpb20180313.398185/full/>.

<sup>5</sup> T.R. Goldman, “Using the Low-Income Housing Tax Credit to Fill the Rental Housing Gap,” *Health Affairs*, June 7, 2018, <https://www.healthaffairs.org/doi/10.1377/hpb20180313.398185/full/>.

<sup>6</sup> U.S. Congress, House of Representatives, Committee on Financial Services, *Testimony of Diane Yentel, President and CEO, National Low Income Housing Coalition*, 115<sup>th</sup> Cong., 2<sup>nd</sup> sess., December 21, 2018, [https://financialservices.house.gov/uploadedfiles/12.21.201\\_diane\\_yentel\\_testimony.pdf](https://financialservices.house.gov/uploadedfiles/12.21.201_diane_yentel_testimony.pdf).

Lack of access to decent, affordable housing creates a variety of serious concerns for families across the United States. Research has consistently shown that families who are housing cost burdened face subsequent challenges in the areas of household stability, education, health, economic mobility, and crime.

**Household Stability.** A 2018 study by Zillow that examined 386 rental markets across the United States found that communities where households expend more than 32 percent of their income on rent can expect a more rapid increase in homelessness. This trend is general across the nation, although the relationship between housing affordability and homelessness is stronger in some markets than others. For example, if the share of income that people spend on rent increases by just two percentage points in Los Angeles, an additional 4,227 people are predicted to experience homelessness.<sup>7</sup> The Zillow study's findings suggests that alleviating housing burdens can help prevent homelessness. Another study has found that families who were able to supplement their housing costs by using vouchers were 74 percent less likely to have stayed in a homeless shelter or on the street than families who did not receive housing assistance, over a four-year period. In addition, research has shown that homeless families who are transferred to subsidized housing are overall more stable, live in higher quality and safer environments, and are less likely to return to shelters or homelessness.<sup>8</sup>

**Education.** In addition to homelessness, affordability influences residential stability. According to the Urban Institute, "Families that cannot afford their rent may miss payments and face eviction...low-income families often experience high rates of 'churning' from one apartment to the next, as they search for more affordable units."<sup>9</sup> These frequent moves often involve

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<sup>7</sup> Chris Glynn and Alexander Casey, "Homelessness Rises Faster Where Rent Exceeds a Third of Income," *Zillow*, December 11, 2018, <https://www.zillow.com/research/homelessness-rent-affordability-22247/>.

<sup>8</sup> Enterprise Community Partners, Inc., "Impact of Affordable Housing on Families and Communities: A Review of the Evidence Base," *Homes for All*, 2014, <https://homeforallsmc.org/wp-content/uploads/2017/05/Impact-of-Affordable-Housing-on-Families-and-Communities.pdf>.

<sup>9</sup> Mary Cunningham and Graham MacDonald, "Housing as a Platform for Improving Education Outcomes among Low-Income Children," *The Urban Institute*, May 2012,

changing school districts, and may lead children to experience psychological disruptions in home life that have negative consequences for their education. Evidence shows that the stress of changing schools multiple times (i.e., school mobility) increases the risk of poor educational achievement—for instance, one study found that students who experienced two or more unstructured school moves between 4<sup>th</sup> and 8<sup>th</sup> grades or any such moves between 8<sup>th</sup> and 12<sup>th</sup> grades attained about 0.25 years less of education compared with those who did not move schools.<sup>10</sup> Housing cost-burdened families also tend to live in overcrowded homes, which can create a chaotic atmosphere that interferes with children’s studies.<sup>11</sup> Research has demonstrated that children who grow up in overcrowded housing conditions complete about a quarter year less of schooling, and are less likely to graduate from high school (by 11 percentage points for males and six percentage points for women) compared to their peers.<sup>12</sup>

**Health.** Research has also identified the strong connection between lack of access to affordable housing and negative health outcomes. Harvard University’s Joint Center for Housing Studies (JCHS) has found that severely housing cost-burdened, older families spend 70 percent less on healthcare costs each month than their counterparts without housing burdens. Similarly, severely cost-burdened families with children spend, on average \$190 less per month on food costs than unburdened households.<sup>13</sup> These findings suggest that households with serious housing

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<https://www.urban.org/sites/default/files/publication/25331/412554-Housing-as-a-Platform-for-Improving-Education-Outcomes-among-Low-Income-Children.PDF>.

<sup>10</sup> Janette E. Herbers, Arthur J. Reynolds, and Chin-Chih Chen, “School mobility and developmental outcomes in young adulthood,” *Development and Psychopathology* 25 (2013), 501-515, [https://www.cambridge-org.proxy1.library.jhu.edu/core/services/aop-cambridge-core/content/view/22969866D2209F3D7AB261C7AA724799/S0954579412001204a.pdf/school\\_mobility\\_and\\_developmental\\_outcomes\\_in\\_young\\_adulthood.pdf](https://www.cambridge-org.proxy1.library.jhu.edu/core/services/aop-cambridge-core/content/view/22969866D2209F3D7AB261C7AA724799/S0954579412001204a.pdf/school_mobility_and_developmental_outcomes_in_young_adulthood.pdf).

<sup>11</sup> Maya Brennan, “The Impacts of Affordable Housing on Education: A Research Summary,” *Center for Housing Policy*, May 2011, [https://nchh.org/resource-library/cfhp\\_insights\\_impacts-of-affordable-housing-on-education.pdf](https://nchh.org/resource-library/cfhp_insights_impacts-of-affordable-housing-on-education.pdf).

<sup>12</sup> Dalton Conley, “A Room With a View or a Room of One’s Own? Housing and Social Stratification,” *Sociological Forum* 16, no. 2 (2001), 263-280, <http://web.b.ebscohost.com.proxy1.library.jhu.edu/ehost/pdfviewer/pdfviewer?vid=1&sid=9b4b6319-b66b-468a-99df-f53aed85c1af%40sessionmgr102> and “Housing and Schooling,” *The Urban Prospect: Housing, Planning and Economic Development in New York* 7, no. 2 (March/April 2001), [http://chpcny.org/wp-content/uploads/2011/02/UP\\_Housing\\_Schooling1.pdf](http://chpcny.org/wp-content/uploads/2011/02/UP_Housing_Schooling1.pdf).

<sup>13</sup> “The State of the Nation’s Housing 2018,” *Joint Center for Housing Studies of Harvard University*, 2018, [http://www.jchs.harvard.edu/sites/default/files/Harvard\\_JCHS\\_State\\_of\\_the\\_Nations\\_Housing\\_2018.pdf](http://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_State_of_the_Nations_Housing_2018.pdf).

cost burdens may be making tradeoffs between housing and necessities such as medical treatment and food. A national study from the *Journal of Children and Poverty* found that a \$500 increase in yearly rental costs is associated with approximately three percent increase in the rate of food insecurity (per the USDA definition as, "...at some time during the year, having difficulty providing enough food for all household members due to a lack of resources").<sup>14</sup>

**Financial Health.** Rent-burdened families are likely to experience more financial insecurity, compared with their peers who do not face housing cost burdens. The Pew Charitable Trusts found that in 2001, the median savings for rent-burdened households was less than \$10, compared to \$800 for non-burdened renters. By 2015, the non-burdened renters had increased their average savings to just above \$1,000 but rent-burdened families still had an average of less than \$10. Moreover, the share of severely rent-burdened households with zero cash assets increased from 54 percent in 2001 to 58 percent in 2015.<sup>15</sup>

**Crime.** Evidence has shown that access to stable, affordable housing can reduce the rate of recidivism for criminals. A study in Ohio showed that individuals who had been recently released from prison and participated in the Returning Home—Ohio program (which connects participants to affordable housing options) were 40 percent less likely to be rearrested within one year and 61 percent less likely to be reincarcerated within one year compared with the control group.<sup>16</sup> A separate study in Maryland had similar findings: in a comparison of recently incarcerated individuals, the group that did not receive housing assistance after release exhibited a higher rate

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<sup>14</sup> Jason M. Fletcher, Tatiana Andreyeva, and Susan H. Busch, "Assessing the Effect of Increasing Housing Costs on Food Insecurity," *Journal of Children and Poverty*, November 6, 2009, <https://www.tandfonline.com/doi/abs/10.1080/10796120903310541?journalCode=cjcp20>.

<sup>15</sup> "American Families Face a Growing Rent Burden," *The Pew Charitable Trusts*, April 2018, [https://www.pewtrusts.org/-/media/assets/2018/04/rent-burden\\_report\\_v2.pdf](https://www.pewtrusts.org/-/media/assets/2018/04/rent-burden_report_v2.pdf).

<sup>16</sup> Jocelyn Fontaine, "The Role of Supportive Housing in Successful Reentry Outcomes for Disabled Prisoners," *Cityscape: A Journal of Policy Development and Research*, 2013, no. 15(3), pp. 53-75, <https://www.huduser.gov/portal/periodicals/cityscpe/vol15num3/ch3.pdf>.



of recidivism than those who received housing vouchers through the Maryland Opportunities through Vouchers Experiment (MOVE) program.<sup>17</sup>

## **HISTORY AND BACKGROUND**

The purpose of this section is to provide a history of previous policy attempts to increase the availability of affordable rental housing, explore historical trends that have led to the present-day crisis, and illustrate the major players in the housing policy world.

### ***The History of Affordable Housing Policy***

Modern housing policy in the United States originates from the federal programs and offices created in the early 1930s as part of the New Deal to alleviate the widespread hardships caused by the Great Depression. In 1934, Congress passed the National Housing Act, designed to create a mortgage insurance system that would make homeownership possible for a broader swathe of the population.<sup>18</sup> However, the National Housing Act did very little to lessen the burden for low-income Americans who could not afford to own their homes. The 1937 U.S. Housing Act sought to fill this gap by creating the legal structure for the federal government to subsidized public rental housing for low-income citizens.<sup>19</sup> At the time, public housing was a significant improvement over the average living conditions at the time: much of the nation's housing stock had fallen into disrepair and lacked conveniences such as running hot water.<sup>20</sup>

The U.S. Housing Act of 1937 also served as the basis for the three federal rental assistance programs that still exist today: the aforementioned public housing program, project-

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<sup>17</sup> David S. Kirk, Geoffrey C. Barnes, Jordan M. Hyatt, and Brook W. Kearley, "The impact of residential change and housing stability on recidivism: pilot results from the Maryland Opportunities through Vouchers Experiment (MOVE)," *Journal of Experimental Criminology*, December 15, 2017, no. 14(2), pp. 213-226, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5993842/>.

<sup>18</sup> U.S. Congress, House, *National Housing Act of 1934*, HR 9620, 73<sup>rd</sup> Congress, 2<sup>nd</sup> sess., [https://fraser.stlouisfed.org/files/docs/historical/martin/54\\_01\\_19340627.pdf](https://fraser.stlouisfed.org/files/docs/historical/martin/54_01_19340627.pdf).

<sup>19</sup> Charles L. Edson, "Affordable Housing—An Intimate History," in Tim Iglesias and Rochelle E. Lento, eds., *The Legal Guide to Affordable Housing Development*, 2nd ed. (Chicago: American Bar Association, Forum on Affordable Housing and Community Development Law, 2011), [http://apps.americanbar.org/abastore/products/books/abstracts/5530024%20chapter%201\\_abs.pdf](http://apps.americanbar.org/abastore/products/books/abstracts/5530024%20chapter%201_abs.pdf).

<sup>20</sup> "A Brief Historical Overview of Affordable Rental Housing," *National Low Income Housing Coalition*, 2015, [https://nlihc.org/sites/default/files/Sec1.03\\_Historical-Overview\\_2015.pdf](https://nlihc.org/sites/default/files/Sec1.03_Historical-Overview_2015.pdf).

based rental assistance, and the Housing Choice Voucher Program. From 1937 to 1965, public housing and the FHA's subsidized mortgage insurance program were the main forms of federal housing assistance. However, cost issues with public housing construction led to a growing interest in exploring other forms of housing assistance, and Congress passed the Housing and Community Development Act of 1974 to create the project-based rental assistance program, amended in 1983 to create the housing voucher program.<sup>21,22</sup> The Housing and Urban Development Act of 1965 created HUD as a cabinet-level agency and placed these programs under its purview.<sup>23</sup> Although public housing and project-based rental assistance programs still exist today, housing vouchers are the main form of federal assistance to renters.<sup>24</sup> Besides these programs, the newest affordable housing resource since the 1970s is the National Housing Trust Fund (NHTF), created by the Housing and Economic Recovery Act of 2008 and administered by HUD.<sup>25</sup> The NHTF supplies housing grants to state governments and state-designated organizations to produce or preserve affordable housing. 80 percent of each grant must go toward supporting rental housing.<sup>26</sup>

The other main way that the federal government supports affordable rental housing is through the Low Income Housing Tax Credit (LIHTC), created by the Tax Reform Act of 1986 and administered by the Department of the Treasury's Internal Revenue Service. The LIHTC is the only federal program that has been used to build new affordable housing units, and it has

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<sup>21</sup> A Brief Historical Overview of Affordable Rental Housing," *National Low Income Housing Coalition*, 2015, [https://nlihc.org/sites/default/files/Sec1.03\\_Historical-Overview\\_2015.pdf](https://nlihc.org/sites/default/files/Sec1.03_Historical-Overview_2015.pdf).

<sup>22</sup> "An Overview of the Section 8 Housing Programs: Housing Choice Vouchers and Project-Based Rental Assistance," *Congressional Research Service*, February 7, 2014, [https://www.everysreport.com/files/20140207\\_RL32284\\_c06c87f7a9b055ade32ee0ca1e2bd69c17c89ecb.pdf](https://www.everysreport.com/files/20140207_RL32284_c06c87f7a9b055ade32ee0ca1e2bd69c17c89ecb.pdf).

<sup>23</sup> "HUD History," *U.S. Department of Housing and Urban Development*, accessed February 24, 2019, [https://www.hud.gov/about/hud\\_history](https://www.hud.gov/about/hud_history).

<sup>24</sup> "An Overview of the Section 8 Housing Programs: Housing Choice Vouchers and Project-Based Rental Assistance," *Congressional Research Service*, February 7, 2014, [https://www.everysreport.com/files/20140207\\_RL32284\\_c06c87f7a9b055ade32ee0ca1e2bd69c17c89ecb.pdf](https://www.everysreport.com/files/20140207_RL32284_c06c87f7a9b055ade32ee0ca1e2bd69c17c89ecb.pdf).

<sup>25</sup> "National Housing Trust Fund," *National Low Income Housing Coalition*, accessed March 3, 2019, <https://nlihc.org/explore-issues/projects-campaigns/national-housing-trust-fund>.

<sup>26</sup> "About Housing Trust Fund," *U.S. Department of Housing and Urban Development*, accessed March 3, 2019, <https://www.hudexchange.info/programs/htf/about/>.

supported the construction of nearly 3 million rental homes for low-income Americans to date.<sup>27</sup>

The way that the LIHTC works is simple: each state government receives tax credits that they can award to affordable housing developers, who give them to corporations in exchange for equity in rental buildings whose units are reserved for low-income tenants. The corporations can then use the credits to pay down future taxes. Thus, the LIHTC increases the profitability of developing affordable housing, serving as a strong incentive for developers to make these types of investments.

### ***Root Causes of the Problem***

Understanding how the current challenges surrounding affordable housing came about requires an examination of historical trends, both over the last few years and over the last several decades. The United States was facing quite a different housing situation in 1960, when only about a quarter of renters spent more than 30 percent of their income on housing costs. However since that time, the affordable housing crisis has grown increasingly more serious. Year-over-year developments that have exacerbated this issue include:

- A sharp increase in rents relative to average household income;
- Growing construction costs that increase the cost of housing development projects and lead to more development of high-end units and a deficiency in affordable housing stock
- A steady depletion in the number of low-income housing units available; and
- Shrinking federal subsidization of rental housing.

**Stagnant Incomes and Rising Rents.** One of the main reasons for the shortage in affordable housing is that average rents have risen faster than average incomes over the past 60 years. A study by the Brookings Institution's The Hamilton Project demonstrates the long-term

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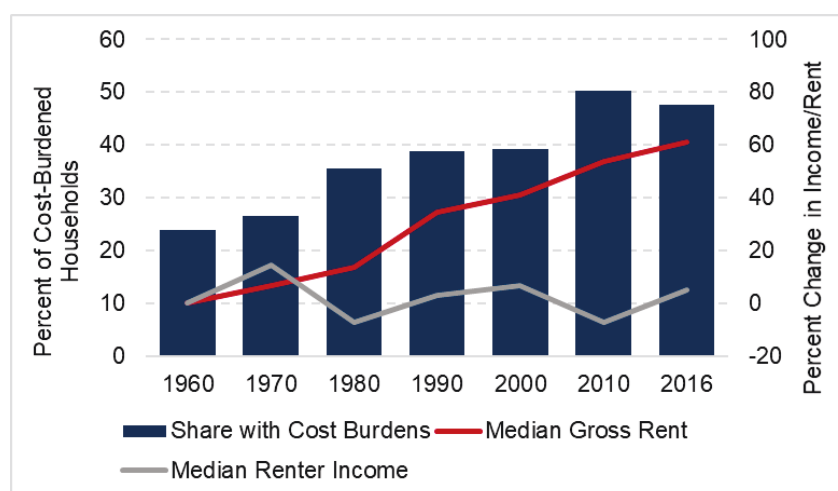
<sup>27</sup> T.R. Goldman, "Using the Low-Income Housing Tax Credit to Fill the Rental Housing Gap," *Health Affairs*, June 7, 2018, <https://www.healthaffairs.org/doi/10.1377/hpb20180313.398185/full/>.

stagnation in wages that the U.S. economy has been experiencing—wages that, on average, were only 10 percent higher in 2017 than in 1973 (adjusting for inflation). Unsurprisingly, this lack of growth in wages predominantly affects middle- and lower-income workers.<sup>28</sup> JCHS estimates that, adjusting for inflation, median rent in the United States increased by 61 percent between 1960 and 2016, while median renter income grew by only five percent.

Due, in part, to that deviation between cost of housing and income, the percentage of renters in the United States who were cost burdened grew from 23.8 percent in the 1960s to 47.5 percent in 2016—a two-fold increase (see **Figure 1**).<sup>29</sup> This trend is supported by similar findings from HUD: HUD’s 2018 3<sup>rd</sup> Quarter National Housing Market Summary found that the

affordability of renting a home has declined to its lowest level since HUD first began measuring its Rental Affordability Index in 2001. The Index is a measure of the ability of a family earning the median

**Figure 1. Median rent has risen relative to median income since 1960, resulting in a growing share of renters who are cost burdened (JCHS).**



national income to purchase a median-priced home.<sup>30</sup>

**Housing Development Costs.** Another factor contributing to the affordable housing shortage is the fact that development companies have a bottom line: they must balance the potential rental value of a home or apartment building against the construction costs, which are

<sup>28</sup> Jay Shambaugh, Ryan Nunn, Patrick Liu, and Greg Nantz, “Thirteen Facts about Wage Growth,” *The Hamilton Project*, September 24, 2017, [http://www.hamiltonproject.org/papers/thirteen\\_facts\\_about\\_wage\\_growth](http://www.hamiltonproject.org/papers/thirteen_facts_about_wage_growth).

<sup>29</sup> “The State of the Nation’s Housing 2018,” *Joint Center for Housing Studies of Harvard University*, 2018, [http://www.jchs.harvard.edu/sites/default/files/Harvard\\_JCHS\\_State\\_of\\_the\\_Nations\\_Housing\\_2018.pdf](http://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_State_of_the_Nations_Housing_2018.pdf).

<sup>30</sup> “National Housing Market Summary,” *U.S. Department of Housing and Urban Development*, 3<sup>rd</sup> Quarter 2018 (December 2018), [https://www.huduser.gov/portal/sites/default/files/pdf/NationalSummary\\_3Q18.pdf](https://www.huduser.gov/portal/sites/default/files/pdf/NationalSummary_3Q18.pdf).

dependent on factors such as materials, labor, and regulatory fees. The calculus behind rental value is simple: there is considerably more profit to be earned in developing high-rent units rather than low-rent ones. This is the challenge that the LIHTC was designed to mitigate, but the recent passage of the Tax Cuts and Jobs Act of 2017 has significantly decreased its power. The legislation has essentially created a severe cutback for the LIHTC—by reducing the corporate tax rate, this legislation has lowered the value of the credits, undermining the LIHTC’s ability to encourage affordable housing development.<sup>31</sup> The result is that the LIHTC’s value may be reduced by about \$1.7 billion (14 percent) annually, and the new tax is expected to reduce the growth in construction of affordable housing by 235,000 units over the next decade.<sup>32</sup>

In addition to the rental value of homes, development companies’ profit maximization is also affected by construction costs, which have risen in recent years. One construction cost index suggests that although real construction costs remained fairly flat from the 1970s until the mid-2000s, they have risen significantly since 2004, by about 23.6 percent. This rise was driven primarily by material costs at first, but also by labor costs more recently.<sup>33</sup> Similarly, the U.S. Bureau of Labor Statistics producer price index for net inputs to residential construction (i.e., material goods) shows an increase of about 20 percent from 2009-2019.<sup>34</sup> Navigating local regulations, such as permitting and zoning laws, can also impose additional costs. The chief economist for the National Association of Home Builders has pointed out that regulatory costs (including those for permits) rose 29 percent between 2011 and 2016.<sup>35</sup>

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<sup>31</sup> Dougherty, Conor. “Tax Overhaul Is a Blow to Affordable Housing Efforts.” *The New York Times*. January 18, 2018. <https://www.nytimes.com/2018/01/18/business/economy/tax-housing.html>.

<sup>32</sup> Ibid; T.R. Goldman, “Using the Low-Income Housing Tax Credit to Fill the Rental Housing Gap,” *Health Affairs*, June 7, 2018, <https://www.healthaffairs.org/doi/10.1377/hpb20180313.398185/full/>.

<sup>33</sup> Issi Romem, “What’s Up With Construction Costs?” *BuildZoom*, December 17, 2018, <https://www.buildzoom.com/blog/whats-up-with-construction-costs>.

<sup>34</sup> “PPI Commodity data for Net inputs to residential construction, goods, not seasonally adjusted,” *U.S. Bureau of Labor Statistics*, Accessed February 22, 2019, <https://data.bls.gov/timeseries/WPUIP2311001>.

<sup>35</sup> Michele Lerner, “In a time of high demand and limited inventory, spec houses are making a return,” *The Washington Post*, March 15, 2018, [https://www.washingtonpost.com/realestate/in-a-time-of-high-demand-and-limited-inventory-spec-houses-are-making-a-return/2018/03/15/4f568780-1819-11e8-92c9-376b4fe57ff7\\_story.html?utm\\_term=.f79c46be949f](https://www.washingtonpost.com/realestate/in-a-time-of-high-demand-and-limited-inventory-spec-houses-are-making-a-return/2018/03/15/4f568780-1819-11e8-92c9-376b4fe57ff7_story.html?utm_term=.f79c46be949f).

Rising housing development costs have created a disincentive for developers to invest in affordable housing. Although rental construction was at a 20-year high in 2016, the vast majority of new units simply increased the stock of high-end rentals rather than contributing to the affordable housing supply. In fact, the number of high-end rental units rose 97 percent from 2005-2015, while the number of low-end units (renting for less than \$800 per month) actually decreased by two percent.<sup>36</sup>

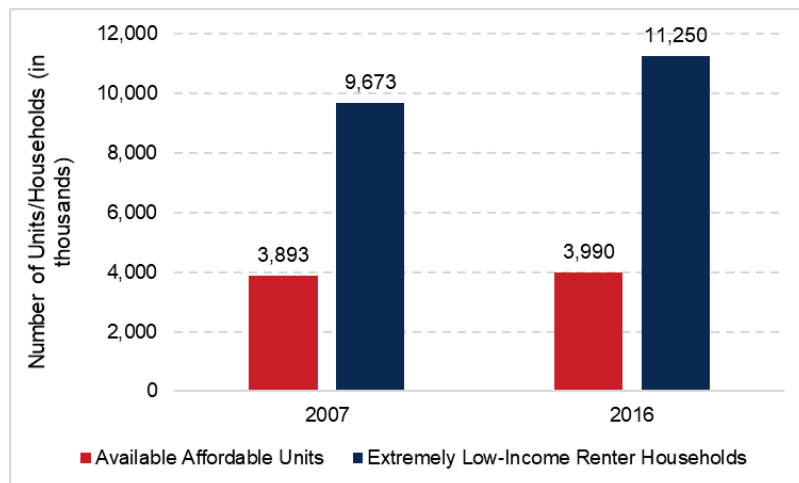
**Losses of Low-Income Housing Units.** Although the renter population in the United States has grown over the past decade, the availability of affordable homes has not kept pace.

Nine million

Americans became new renters from 2006-2016—the largest 10-year increase in history—the nation is simultaneously losing 125,000 affordable rental units per year.<sup>37</sup>

JCHS reported in 2018

*Figure 2. There are many more ELI renter families than available and affordable units (JCHS).*



that between 1985 and 2013, about 60 percent of low-cost units were lost from the stock, either due to permanent removal (27 percent), conversions to other uses (18 percent), or upgrading to higher-rent units (12 percent).<sup>38</sup> It is worth noting that although residential buildings that were built or maintained with support from the LIHTC are permitted to be converted or upgraded after a term of 15 years (during which they must remain affordable), research has shown that the

<sup>36</sup> T.R. Goldman, “Using the Low-Income Housing Tax Credit to Fill the Rental Housing Gap,” *Health Affairs*, June 7, 2018, <https://www.healthaffairs.org/doi/10.1377/hpb20180313.398185/full/>.

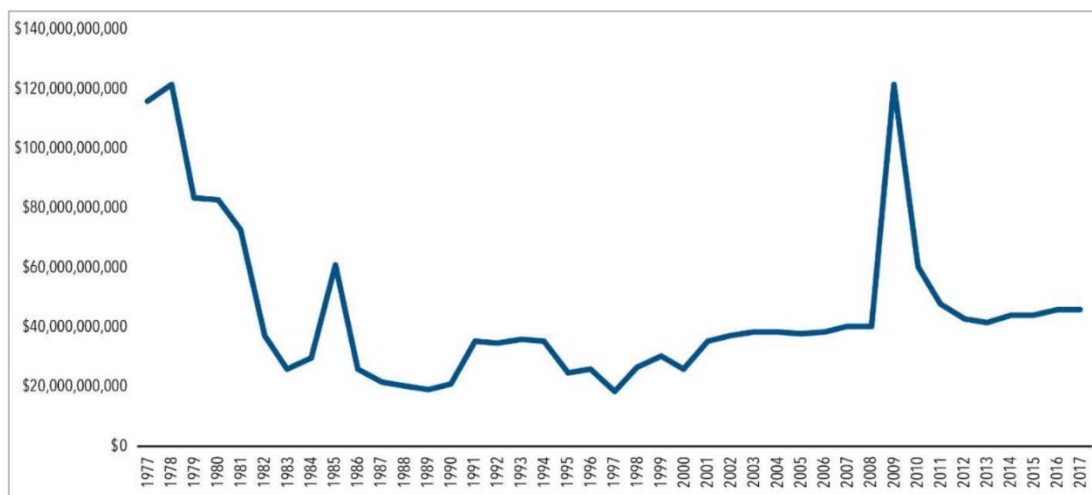
<sup>37</sup> Patrick Sisson, “Why the rent is too damn high: The affordable housing crisis,” *Curbed*, May 19, 2016, <https://www.curbed.com/2016/5/19/11713134/affordable-housing-policy-rent-apartments>.

<sup>38</sup> “The State of the Nation’s Housing 2018,” *Joint Center for Housing Studies of Harvard University*, 2018, [http://www.jchs.harvard.edu/sites/default/files/Harvard\\_JCHS\\_State\\_of\\_the\\_Nations\\_Housing\\_2018.pdf](http://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_State_of_the_Nations_Housing_2018.pdf).

majority of those homes are not at risk of becoming unaffordable at the end of their compliance period.<sup>39</sup> Nevertheless, “The nation’s supply of low-cost rental housing shrank significantly after the Great Recession and has remained essentially unchanged since 2015.” The outcome has been that there has been consistently fewer affordable units than the number of renters who need them (see **Figure 2**).<sup>40</sup>

**Insufficient Federal Housing Support.** Declining federal funding for housing assistance is another major factor contributing to the scarcity of affordable housing. In 2017 dollars, the federal budget authority for housing assistance programs was almost three times higher in the 1970s (see **Figure 3**).<sup>41,42</sup>

*Figure 3. Federal funding for housing assistance has declined (NLIHC).*



Part of this trend is due to a moratorium on construction of new rental units and homes implemented by President Nixon in 1973 and cuts implemented by the Reagan administration that

<sup>39</sup> “What Happens to Low-Income Housing Tax Credit Properties at Year 15 and Beyond?” *U.S. Department of Housing and Urban Development*, August 2012,

[https://www.huduser.gov/publications/pdf/what\\_happens\\_lihtc\\_v2.pdf](https://www.huduser.gov/publications/pdf/what_happens_lihtc_v2.pdf).

<sup>40</sup> “The State of the Nation’s Housing 2018,” *Joint Center for Housing Studies of Harvard University*, 2018, [http://www.jchs.harvard.edu/sites/default/files/Harvard\\_JCHS\\_State\\_of\\_the\\_Nations\\_Housing\\_2018.pdf](http://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_State_of_the_Nations_Housing_2018.pdf).

<sup>41</sup> U.S. Congress, House of Representatives, Committee on Financial Services, *Testimony of Diane Yentel, President and CEO, National Low Income Housing Coalition*, 115<sup>th</sup> Cong., 2<sup>nd</sup> sess., December 21, 2018, [https://financialservices.house.gov/uploadedfiles/12.21.201\\_diane\\_yentel\\_testimony.pdf](https://financialservices.house.gov/uploadedfiles/12.21.201_diane_yentel_testimony.pdf).

<sup>42</sup> Note: The spike in Figure 3 around 2009-2010 is due in part to the enactment of the 2009 American Recovery and Reinvestment Act.

reduced HUD's overall budget by more than half between 1976 and 1982—a loss that was never fully recovered.<sup>43,44</sup> Although HUD's budget for deep-subsidy housing assistance programs has grown modestly since 2007, it has been more than offset by growth in need. Analysis from the Urban Institute revealed that the share of households receiving assistance under these programs declined from 18 percent in 2005 to 16 percent in 2015, and the proportion of low-income renters with housing needs receiving HUD assistance dropped from 24 percent in 2005 to 21 percent in 2015.<sup>45</sup>

### ***Key Actors***

The following is a brief list of the most important players in housing policy formulation in the United States, many of whom have already been mentioned:

- **U.S. Department of Housing and Urban Development:** HUD is the main body within the executive branch responsible for establishing housing policy within the United States. HUD's responsibilities include strengthening the housing market, meeting the need for quality, affordable rental homes, building inclusive communities, and improving quality of life.<sup>46</sup> HUD administers all rental assistance programs provided by the government.<sup>47</sup>
- **U.S. Department of the Treasury:** The Treasury's main role in housing policy is its administration of the LIHTC, which has been a crucial tool for addressing affordable housing needs over the past 25 years.<sup>48</sup>

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<sup>43</sup> Bryce Covert, "The Deep, Uniquely American Roots of Our Affordable-Housing Crisis," *The National*, May 24, 2018, <https://www.thenation.com/article/give-us-shelter/>.

<sup>44</sup> A Brief Historical Overview of Affordable Rental Housing," *National Low Income Housing Coalition*, 2015, [https://nlihc.org/sites/default/files/Sec1.03\\_Historical-Overview\\_2015.pdf](https://nlihc.org/sites/default/files/Sec1.03_Historical-Overview_2015.pdf).

<sup>45</sup> G. Thomas Kingsley, "Trends in Housing Problems and Federal Housing Assistance," *The Urban Institute*, October 2017, <https://www.urban.org/sites/default/files/publication/94146/trends-in-housing-problems-and-federal-housing-assistance.pdf>.

<sup>46</sup> "Mission," *U.S. Department of Health and Human Services*, accessed March 3, 2019, <https://www.hud.gov/about/mission>.

<sup>47</sup> "Rental Assistance," *U.S. Department of Health and Human Services*, accessed March 3, 2019, [https://www.hud.gov/topics/rental\\_assistance](https://www.hud.gov/topics/rental_assistance).

<sup>48</sup> "Low-Income Housing Tax Credit Program," *Office of the Comptroller of the Currency, U.S. Department of the Treasury*, accessed March 3, 2019, <https://www.occ.gov/topics/community-affairs/resource-directories/tax-credits/tax-credits-lihtc.html>.



- **U.S. Congress:** Congress has been active in structuring housing policy since the Great Depression, passing legislation such as the U.S. Housing Act of 1937 and the Housing and Community Development Act of 1974. The specific bodies within Congress responsible for reviewing housing policy are the Senate Committee on Banking, Housing, and Urban Affairs and the U.S. House Committee on Financial Services.<sup>49</sup>
- **White House:** The president and his administration also play a role in shaping housing policy. The president can have an influence over housing and its place on the political agenda in a few different ways: first, the White House can influence funding for federal housing programs in its annual budget proposals, and second, the president can bring up housing during the annual State of the Union Address. Several industry leaders noted that President Donald Trump did not mention affordable housing in his 2019 State of the Union Address, indicating that the issue is not currently a high priority for the White House.<sup>50</sup>
- **Think Tanks and Public Interest Groups:** There are numerous affordable housing interest groups in the United States, but a few prominent examples include NLIHC, the National Housing Conference (which advocates for quality, affordable homes for all), and the Urban Institute’s Housing Finance Policy Center. Each of these organizations approaches the issue of affordable housing by providing rigorous research, policy advice, and in some cases, direct lobbying of the government to adopt certain housing policies.<sup>51</sup> In addition, the National Association of Housing and Redevelopment Officials (NAHRO) describes itself as, “the leading housing and community development advocate for the

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<sup>49</sup> “Jurisdiction,” *United States Senate Committee on Banking, Housing, and Urban Affairs*, accessed March 3, 2019, <https://www.banking.senate.gov/about/jurisdiction> and “Jurisdiction,” *U.S. House Committee on Financial Services*, accessed March 3, 2019, <https://www.banking.senate.gov/about/jurisdiction>.

<sup>50</sup> “Industry Reacts to State of the Union Address,” *Affordable Housing Finance*, January 31, 2019, [https://www.housingfinance.com/news/industry-reacts-to-state-of-the-union-address\\_o](https://www.housingfinance.com/news/industry-reacts-to-state-of-the-union-address_o).

<sup>51</sup> “About Us,” *National Low Income Housing Coalition*, accessed March 3, 2019, <https://nlihc.org/about>; “About Housing Finance Policy,” *The Urban Institute*, accessed March 3, 2019, <https://www.urban.org/policy-centers/housing-finance-policy-center/analyzing-housing-finance-system-and-its-effects-economy-households-and-communities>; and “About NHC,” *National Housing Conference*, accessed March 3, 2019, <https://www.nhc.org/about/>.

provision of adequate and affordable housing...” and publishes an annual list of legislative objectives for which it advocates.<sup>52</sup>

- **State and Municipal Actors:** State governments are responsible for setting housing policies at the state level but are also involved in the conversation about national housing policy. The National Council of State Housing Agencies (NCSHA) advocates for affordable housing on behalf of Housing Finance Agencies (HFAs)—the bodies that administer LIHTC program credits for their individual states.<sup>53</sup> Similarly, the National Association of Counties (NACo) conducts some advocacy for affordable housing at the national level, as well as providing research and tools to help counties increase housing affordability for their residents.<sup>54</sup>

## **POLICY PROPOSAL**

The goal of this policy proposal is to reduce the number of households spending more than 30 percent of their income on housing costs by 3.1 million by providing expanded access to federally subsidized rental assistance. This paper proposes expanding the Housing Choice Voucher Program (hereafter simply referred to as the “housing voucher program”) to guarantee rental assistance for all ELI households in the nation—again, those whose total income is at or below 30 percent of AMI.

The details of this policy are based on similar proposals that have been put forward by stakeholders such as the Bipartisan Policy Center and Dr. Matthew Desmond, Professor of Sociology at Princeton University and author of several books on housing policy.<sup>55</sup> Under this proposal, the housing voucher program would be amended to more closely resemble federal

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<sup>52</sup> “About NAHRO,” *National Association of Housing and Redevelopment Officials*, accessed April 6, 2019, <http://www.nahro.org/about-nahro>.

<sup>53</sup> “About NCSHA,”

<sup>54</sup> “Counties Futures Lab,” *National Association of Counties*, accessed March 3, 2019, <https://www.naco.org/counties/counties-futures-lab>.

<sup>55</sup> “Matthew Desmond,” *Princeton University*, accessed March 9, 2019, <https://sociology.princeton.edu/people/matthew-desmond>.

interventions such as the Supplemental Nutrition Assistance Program (SNAP) or Medicaid. Although these programs allow the federal government to guarantee food and medical care to most citizens when the need arises, rental assistance does not work the same way.<sup>56</sup> As mentioned in an earlier section, only about one in five households that qualify for any type of rental assistance from HUD currently receive it.<sup>57</sup> Under this proposal, families could use housing vouchers to live anywhere that they wished, similar to how people can use food stamps at virtually any grocery store.<sup>58</sup> The result would be that these families would spend no more than 30 percent of their income on housing, with the voucher covering the rest up to a maximum per-unit subsidy (essentially, a rent ceiling), as is done in the current program. Current voucher holders would continue to receive assistance, even if their incomes are above 30 percent of AMI. However, as they transitioned off of these vouchers due to increased household income or some other factor, new housing voucher recipients would be limited to households with a total income at to below 30 percent of AMI.<sup>59</sup>

The new housing voucher program would also change the way that rent ceilings are determined. Under the current rules, the federal government typically sets the rent ceiling for housing vouchers at the 40<sup>th</sup> percentile of metro area or countywide rents. The approach under the new policy would be to set rent ceilings based on neighborhood quality, with “neighborhood” defined by ZIP code and “quality” measured by an index that takes into account the violent crime rate, test scores, poverty rate, unemployment rate, and the rate of children living with single mothers (based on a neighborhood quality index developed by Robert Collinson and Peter

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<sup>56</sup> Jake Blumgart, “What an Affordable Housing Moonshot Would Look Like,” *Slate*, July 1, 2016, <https://slate.com/business/2016/07/its-time-for-universal-housing-vouchers.html>.

<sup>57</sup> G. Thomas Kingsley, “Trends in Housing Problems and Federal Housing Assistance,” *The Urban Institute*, October 2017, <https://www.urban.org/sites/default/files/publication/94146/trends-in-housing-problems-and-federal-housing-assistance.pdf>.

<sup>58</sup> Matthew Desmond, *Evicted: Poverty and Profit in the American City* (New York City: Penguin Random House LLC, 2016), 308.

<sup>59</sup> “Background Memorandum: Measuring Likely Participation in an Open-Enrollment Housing Voucher Program for Extremely Low-Income Households,” *Bipartisan Policy Center*, January 2015, <https://bipartisanpolicy.org/wp-content/uploads/2015/01/Housing-Voucher-Recommendation-Memo-January-2015.pdf>.

Ganong).<sup>60</sup> Rent ceilings would be set according to a scale, with higher subsidy maximums in high-quality neighborhoods and lower maximums in low-quality neighborhoods (the reasoning behind this procedure is explained in **Policy Analysis**).

Finally, the new housing voucher program would make landlord participation mandatory. Under current policy, landlords in most states are not required to accept housing vouchers. There exists a stigma attached to families who use housing vouchers, and some landlords may feel inclined to discriminate against these families based on that bias.<sup>61</sup> The proposed expansion of the housing voucher program would outlaw discrimination against voucher families.

### ***Usage and Cost Estimates***

The Bipartisan Policy Center has used the average participation rate for SNAP benefits (80.8 percent) to estimate that of the approximately 11 million ELI renter households, about 8.9 million would apply for and be qualified to receive rental assistance under an open enrollment housing voucher program. However, the proportion of eligible households that are able to successfully lease an affordable home is not 100 percent—a variety of factors, such as being unable to find a participating landlord or failing to comply with the program’s administrative requirements, may reduce this success rate. The Bipartisan Policy Center’s proposal, which does not mandate landlord participation, estimates that of the 8.9 million eligible families, only about 6.7 million would be successfully able to use their voucher.<sup>62</sup> Although the policy proposal described in this paper *does* mandate landlord participation, 6.7 million households would still be a fairly accurate estimate. The Bipartisan Policy Center’s estimated success rate of approximately 75 percent ( $6.7/8.9 = 0.753$ ) corresponds with a HUD study on Section 8 voucher success rates

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<sup>60</sup> Robert Collinson and Peter Ganong, “How Do Changes in Housing Voucher Design Affect Rent and Neighborhood Quality?” *American Economics Journal: Economic Policy* 2018, 10(2): 62-89. <https://pubs.aeaweb.org/doi/pdf/10.1257/pol.20150176>.

<sup>61</sup> Matthew Desmond, *Evicted: Poverty and Profit in the American City* (New York City: Penguin Random House LLC, 2016), 310.

<sup>62</sup> “Background Memorandum: Measuring Likely Participation in an Open-Enrollment Housing Voucher Program for Extremely Low-Income Households,” *Bipartisan Policy Center*, January 2015, <https://bipartisanpolicy.org/wp-content/uploads/2015/01/Housing-Voucher-Recommendation-Memo-January-2015.pdf>.

that found that in neighborhoods where the local public housing agency (PHA) reported that landlords had a high degree of acceptance of voucher holders, the success rate was about 74 percent<sup>63</sup>, suggesting that the 26 percent of unsuccessful cases were due to factors other than landlords' refusal to accept vouchers. Since 3.6 million households are already receiving rental assistance, this leaves 3.1 million who would need new vouchers under the expanded program.

Part of the 3.1 million new vouchers would be made available through existing housing vouchers, as households transition off assistance. The Bipartisan Policy Center estimates that approximately 258,000 vouchers would become available from transitioning families over a ten-year period, leaving 2.9 million vouchers that would actually have to be created. The Center estimates that the cost to make housing vouchers available to these families would be about \$30.8 billion per year.<sup>64</sup>

### ***Policy Authorizing Tool***

These changes to the housing voucher program would require a congressional action to amend Section 8 of the Housing and Community Development Act, which authorizes federal rental assistance programs. It is recommended that you introduce this amendment with a Republican co-sponsor, to signal that bipartisan support exists—an ideal co-sponsor would be Senator Mike Crapo, Chairman of the Senate Committee on Banking, Housing, and Urban Affairs. Senator Crapo has expressed support for expanding access to affordable housing via grants, which suggests that he may be supportive of the housing voucher program as well.<sup>65</sup>

Congress will also have to appropriate additional funds to the housing voucher program to pay for the expansion—this would occur during the next annual budget process. This proposal

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<sup>63</sup> Meryl Finkel and Larry Buron, "Study on Section 8 Voucher Success Rates," *U.S. Department of Housing and Urban Development*, November 2001, <https://www.huduser.gov/publications/pdf/sec8success.pdf>.

<sup>64</sup> "Background Memorandum: Measuring Likely Participation in an Open-Enrollment Housing Voucher Program for Extremely Low-Income Households," *Bipartisan Policy Center*, January 2015, <https://bipartisanpolicy.org/wp-content/uploads/2015/01/Housing-Voucher-Recommendation-Memo-January-2015.pdf>.

<sup>65</sup> Neil Hoggerty, "Crapo shakes up GSE reform with housing finance plan of his own," *American Banker*, February 1, 2019, <https://www.americanbanker.com/news/crapo-shakes-up-gse-reform-with-housing-finance-plan-of-his-own>.

recommends introducing the amendment as soon as possible, so that the expanded program can be added to HUD’s Fiscal Year 2020 budget request early in the process.

### ***Policy Implementation Tool***

The policy does not propose any change in administration of the housing voucher program. The specific policy implementation tool would still be vouchers—a housing subsidy paid to a landlord directly by a PHA on behalf of the family. HUD would continue to oversee the program at the federal level, and PHAs would continue to administer the vouchers locally.<sup>66</sup>

### ***Timeline***

Immediate implementation of the revised housing voucher program would be impractical. As alluded to above, families with incomes above 30 percent of AMI who use housing vouchers under the current rules would not immediately stop receiving assistance—rather, there would be a transition period during which the housing voucher program would slowly graduate these families off of rental assistance. Over the next 10 years, the voucher program would gradually shift so that only families with incomes below 30 percent of AMI would be eligible to receive assistance. Likewise, both HUD and PHAs would need to allow landlords who were not previously participating in the voucher program adequate time to make any administrative changes necessary to ensure that they can accept families with housing vouchers. HUD and PHAs would provide information sessions and workshops for landlords to help them prepare for this shift, and at the end of the 10-year period, all landlords would be required to participate.

## **POLICY ANALYSIS**

This section will show that, properly funded and implemented, this policy proposal is highly likely to meet its goal of alleviating housing cost burdens for 3.1 million families. However, this is not to say that this policy is a panacea for all affordable housing challenges—

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<sup>66</sup> “Housing Choice Vouchers Fact Sheet,” *U.S. Department of Housing and Urban Development*, accessed March 12, 2019, [https://www.hud.gov/topics/housing\\_choice\\_voucher\\_program\\_section\\_8](https://www.hud.gov/topics/housing_choice_voucher_program_section_8).

this section will discuss this policy proposal's advantages and disadvantages in several key areas: effectiveness, efficiency, liberty/equitability/equality, and administrative capacity.

### ***Effectiveness***

Although it is not likely to fix every issue with the current affordable housing problem in America, the expanded housing voucher program proposed herein would be likely to be more effective than the current program in decreasing ELI families' housing burdens. As discussed in more detail below, this policy would increase effectiveness in two major ways: expanding access to rental assistance and implementing compulsory landlord participation.

- **Rental assistance would be available to everyone who is income-eligible.**

Guaranteeing access to housing vouchers for all eligible families would address the biggest problem with the current system: that it simply does not serve everyone who needs it. Implementing this policy proposal would, over time, eliminate the need to have a waiting list for rental subsidies; once the program had been fully executed, families would be able to receive assistance almost immediately. Under the current system, many PHAs are so overwhelmed by the high volume of applications they receive that they close their waitlists for years at a time.<sup>67</sup> This proposal would enable the federal government to meet the enormous demand that exists for housing vouchers, eliminating the need to have a waitlist at all.

- **All landlords would accept voucher families.** As discussed above, a major weakness of the current housing voucher program is that landlords in many areas are free to turn away voucher families for any reason. Multiple investigations have shown that landlords' rejection of voucher families is a major obstacle to the effectiveness of the program. A 2001 study from HUD found that voucher families' success rates were higher in local

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<sup>67</sup> Alicia Mazzara, "Housing Vouchers Work: Huge Demand, Insufficient Funding for Housing Vouchers Means Long Waits," *Center on Budget and Policy Priorities*, April 19, 2017, <https://www.cbpp.org/blog/housing-vouchers-work-huge-demand-insufficient-funding-for-housing-vouchers-means-long-waits>.

markets where PHA staff reported a higher degree of acceptance of the Section 8 program among landlords.<sup>68</sup> Additionally, in a 2018 study conducted by HUD that examined landlord acceptance of voucher families in five major metropolitan areas, the researchers found evidence of voucher discrimination at all five sites. Three of the five locations exhibited landlord denial rates of 67 percent or higher. The study also found that lower landlord denial rates corresponded to cities or states that made it either illegal or more difficult for landlords to reject voucher holders.<sup>69</sup> This evidence supports the notion that mandatory participation for landlords would significantly lower denial rates and therefore increase the success rate of voucher participants.

As a result of these two changes, housing cost burdens would decline across the board. The Urban Institute has found that voucher recipients are much less likely to be paying unaffordable housing cost burdens and more likely to be living in decent, quality housing, compared to unassisted households at the same income level.<sup>70</sup> Under this expanded housing voucher program, millions more families would be able to live under these improved conditions. Also, the Bipartisan Policy Center predicts that a program such as the one proposed herein would essentially end homelessness for the vast majority of the nation's homeless population: "Virtually all households experiencing homelessness have incomes under 30 percent of AMI, and 80 percent of those who become homeless do so almost exclusively for economic reasons...[Under an expanded housing voucher program] The most vulnerable and extremely low-income families

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<sup>68</sup> "Study on Section 8 Voucher Success Rates," *U.S. Department of Housing and Urban Development*, November 2001, <https://www.huduser.gov/portal/portal/sites/default/files/pdf/Landlord-Acceptance-of-Housing-Choice-Vouchers.pdf>.

<sup>69</sup> "A Pilot Study of Landlord Acceptance of Housing Choice Vouchers," *U.S. Department of Housing and Urban Development*, September 2018, <https://www.huduser.gov/portal/portal/sites/default/files/pdf/Landlord-Acceptance-of-Housing-Choice-Vouchers.pdf>.

<sup>70</sup> Margery Austin Turner, "Strengths and Weaknesses of the Housing Voucher Program," *The Urban Institute*, June 17, 2003, <https://www.urban.org/sites/default/files/publication/64536/900635-Strengths-and-Weaknesses-of-the-Housing-Voucher-Program.pdf>.



with children would not face disruptions in employment or their children's education because of the lack of an affordable home.”<sup>71</sup>

On the other hand, this policy would not—nor does it claim to—solve every issue that exists with the current federal system of rental assistance. The following are ongoing challenges that would decrease the effectiveness of the proposal:

- **Housing stock would not increase.** Expanded access to housing vouchers will not be an effective means of easing housing costs if there are simply no open units available in the market. In particularly tight markets in which competition for a place to live is high, families may not be able to take advantage of their rental assistance, even if they are eligible to receive it. This has been a problem that has plagued voucher holders under the current system. The Urban Institute reports: “Historically, many suburban jurisdictions have used zoning and land use regulations to limit the development of rental housing, especially more affordable rental housing, in order to maintain their property tax base and ensure social homogeneity.”<sup>72</sup> As a result, many areas that are considered desirable to live in have very few rental options available.
- **Families could still lose eligibility.** As discussed briefly in the **Usage and Cost Estimates** section, it should not be assumed that every family who would become eligible for a housing voucher under the expanded program would be able to use it. Although this proposal seeks to remove some barriers to success (such as landlords refusing to accept voucher families), voucher households who meet the income condition could still lose their access to rental assistance by failing to meet all program requirements, such as attending orientation or providing sufficient documentation of

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<sup>71</sup> “Housing America’s Future: New Directions for National Policy,” *Bipartisan Policy Center*, February 2013, [https://bipartisanpolicy.org/wp-content/uploads/sites/default/files/BPC\\_Housing%20Report\\_web\\_0.pdf](https://bipartisanpolicy.org/wp-content/uploads/sites/default/files/BPC_Housing%20Report_web_0.pdf).

<sup>72</sup> Margery Austin Turner, “Strengths and Weaknesses of the Housing Voucher Program,” *The Urban Institute*, June 17, 2003, <https://www.urban.org/sites/default/files/publication/64536/900635-Strengths-and-Weaknesses-of-the-Housing-Voucher-Program.pdf>.

income.<sup>73</sup> In more serious cases, households can lose eligibility if a family member has been convicted of a drug-related or violent crime or if a family member has been convicted of defrauding a public housing program.<sup>74</sup> Greater access to federally subsidized rental assistance would, unfortunately, not have any effect on a family's willingness or ability to meet tenant requirements for eligibility.

- **Discrimination in the housing market will still exist.** Discrimination based on race, national origin, religion, sex, familial status, or disability in the sale or renting of housing was made illegal by the Fair Housing Act, also known as Title VIII of the Civil Rights Act of 1968.<sup>75</sup> Specifically, the Fair Housing Act prohibits owners and landlords from refusing to rent or sell housing, making housing unavailable, assigning tenants to a particular building or neighborhood, or evicting tenants based on any of these personal characteristics.<sup>76</sup> However, empirical evidence has indicated that discrimination of this nature still exists in U.S. housing markets. A study commissioned by HUD in 2012 found that nationwide, minority renters were told about or shown fewer homes and apartments than equally qualified white renters. For instance, housing agents told Hispanic renters about 12.5 percent fewer available units and showed them 7.5 percent fewer than were shown to white renters.<sup>77</sup> The continued presence of discrimination toward renters (for a variety of reasons) may inhibit the effectiveness of this policy.

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<sup>73</sup> Ibid.

<sup>74</sup> "Section 8 Housing Disqualifications," *Section 8 Housing*, accessed March 22, 2019, <https://section-8-housing.org/section-8-housing-disqualifications-section-8-housing/>.

<sup>75</sup> "History of Fair Housing," *U.S. Department of Housing and Urban Development*, accessed March 22, 2019, [https://www.hud.gov/program\\_offices/fair\\_housing\\_equal\\_opp/aboutfheo/history](https://www.hud.gov/program_offices/fair_housing_equal_opp/aboutfheo/history).

<sup>76</sup> "Housing Discrimination Under the Fair Housing Act," *U.S. Department of Housing and Urban Development*, accessed March 22, 2019, [https://www.hud.gov/program\\_offices/fair\\_housing\\_equal\\_opp/fair\\_housing\\_act\\_overview](https://www.hud.gov/program_offices/fair_housing_equal_opp/fair_housing_act_overview).

<sup>77</sup> Margery Austin Turner, et al., "Housing Discrimination Against Racial and Ethnic Minorities 2012," *U.S. Department of Housing and Urban Development*, 2012, [https://www.huduser.gov/portal/Publications/pdf/HUD-514\\_HDS2012\\_execsumm.pdf](https://www.huduser.gov/portal/Publications/pdf/HUD-514_HDS2012_execsumm.pdf).

## ***Efficiency***

One of the strongest points in favor of this policy proposal is its efficiency—delivering quality at the lowest cost. Although the necessary budget for implementing this proposed policy is quite large, overwhelming evidence has shown that tenant-based housing interventions such as vouchers are less costly means of providing housing than constructing new housing units or rehabilitation old rental homes. Vouchers are also a better option in terms of cost than operating public housing

- **Vouchers provide families with housing of equal quality for a lower cost compared to project-based construction and rehabilitation programs.** A University of Virginia (UVA) survey of the largest studies of housing program cost-effectiveness over approximately the past 40 years finds that, “The empirical literature is unanimous in finding that tenant-based housing certificates and vouchers provide housing of any quality at a much lower total cost...than each major program of project-based assistance.”<sup>78</sup> An example of a project-based program is the Section 8 New Construction and Substantial Rehabilitation (NC/SR) program, which provides rental assistance in connection with development of new homes or rehabilitation of older homes. Although the program was phased out in 1983, many buildings still receive funding under existing contracts.<sup>79</sup> One study in the UVA literature review found that it was approximately 20.3 percent more expensive to provide the same quality of housing under Section 8 NC/SR than with tenant-based Section 8 rental assistance. The author of the UVA study explains that the evidence of the cost-ineffectiveness of construction makes sense theoretically as well: subsidized construction programs often lead to economic inefficiencies because profit-maximizing private developers have an incentive to request as much money as

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<sup>78</sup> Edgar O. Olsen, “The Cost-Effectiveness of Alternative Methods of Delivering Housing Subsidies,” *University of Virginia*, October 30, 2009, <http://economics.virginia.edu/sites/economics.virginia.edu/files/papers/CESurvey2009.pdf>.

<sup>79</sup> “Section 8 New Construction and Substantial Rehabilitation,” *NYU Furman Center*, accessed March 22, 2019, <http://furmancenter.org/coredata/directory/entry/section-8-new-construction-and-substantial-rehabilitation>.

possible for their proposals and produce more new housing construction than would actually result from the demand side. UVA's results concur with a General Accounting Office (GAO) study that also found that every production program (including the LIHTC) was more expensive than vouchers. For instance, GAO's analysis estimates that the total cost of a home under the HOPE VI program (which provides funding to revitalize public housing units) with an average size of 2.4 bedrooms is 27 percent more expensive than paying for a voucher for a family to move into a home of the same size.<sup>80</sup>

- **Vouchers are more cost-efficient than public housing.** A study from HUD found that the marginal cost of public housing—in other words, the cost of operating one more unit of public housing—was more expensive by up to \$41 per unit per month than administering vouchers. Because this study measured the cost of operating rather than building, the conclusion is that even if construction costs are ignored, public housing is *still* more expensive than vouchers.<sup>81</sup> This finding correlates with a Rutgers University study that measured the efficiency of federal housing programs in two ways: first, production efficiency, defined as what it costs for the government to produce a unit compared to the most efficient producer. The second measure of efficiency was transfer efficiency—how the recipient values the unit compared to the market valuation. The researchers found that the total efficiency (an aggregate of the two measures) for public housing is approximately 47 percent, while the total efficiency of subsidy programs such as housing vouchers was about 86 percent. The study concludes that supply-side, project-based programs such as public housing are far less efficient, delivering only about 40-60

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<sup>80</sup> "Federal Housing Assistance: Comparing the Characteristics and Costs of Housing Programs," *U.S. General Accounting Office*, January 2002, <https://www.gao.gov/assets/240/233652.pdf>.

<sup>81</sup> "Section 8 Tenant-Based Housing Assistance: A Look Back After 30 Years," *U.S. Department of Housing and Urban Development*, March 2000, <https://www.huduser.gov/Publications/pdf/look.pdf>.

cents on the dollar in benefits compared to 80-90 cents for demand-side, tenant-based programs like vouchers.<sup>82</sup>

### ***Liberty, Equity, and Equality***

This paper proposes focusing on the housing voucher program specifically because it is arguably the fairest form of rental assistance. Voucher families have the freedom to choose where to live (subject to finding a unit that meets program standards), unlike beneficiaries of such affordable housing programs as the LIHTC or public housing. Federal programs that construct or rehabilitate affordable housing do not (and cannot) give potential future residents a say in where these units are located, and they have historically been concentrated in low-income, inner city neighborhoods.<sup>83</sup> Therefore, expanding the housing voucher program (rather than focusing on any other federal housing initiative) is a comparatively greater investment in equal access to housing.

However, this policy proposal contains both positive and negative aspects with regard to equity and fairness. On the one hand, the intent of the policy is to increase social equity by leveling the playing field for families attempting to gain access to federal rental assistance—both by increasing the number of voucher holders and ensuring that these families have access to neighborhoods of the same quality as those who do not need to rely on vouchers. However, this proposal also makes landlord participation in the voucher program obligatory, which could be viewed as unfair to landlords. These pros and cons are summarized in more detail in this section:

- **The neediest households would receive assistance.** This proposal seeks to promote social equity in the U.S. housing market by specifically focusing on those most in need of assistance—severely cost-burdened ELI families. The National Academy of Public Administration defines “social equity” in public policy as, “The fair, just and equitable

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<sup>82</sup> Stephen Malpezzi, “Low-income housing programs that work: Part I,” *Rutgers Business School Center for Real Estate*, January 4, 2018, <https://rutgersrealestate.com/blog-re/affordable-housing-are-vouchers-the-answer/>.

<sup>83</sup> Margery Austin Turner, “Strengths and Weaknesses of the Housing Voucher Program,” *The Urban Institute*, June 17, 2003, <https://www.urban.org/sites/default/files/publication/64536/900635-Strengths-and-Weaknesses-of-the-Housing-Voucher-Program.pdf>.

management of all institutions serving the public directly or by contract; and the fair and equitable distribution of public services, and implementation of public policy; and the commitment to promote fairness, justice and equity in the formation of public policy.”

This policy focuses on advancing one of NAPA’s four measures of social equity, namely, distributional equity: targeting historically underserved populations, i.e., ELI families.<sup>84</sup>

- **Tying rent ceilings to ZIP codes would increase equal access to neighborhoods.**

Although housing voucher holders can choose where to live, practical considerations may mean that they do not truly have the same access to high-quality neighborhoods as non-ELI, non-voucher families—this proposal seeks to correct that inequity. As described before, voucher holders pay 30 percent of their income in rent and the voucher covers the remainder up to a certain rent ceiling. HUD typically sets the rent ceiling at the 40<sup>th</sup> percentile of the average gross rent in the region.<sup>85</sup> However, the geographic areas that HUD uses to set these rates are so large that landlords in impoverished neighborhoods are free to charge rent based on a formula that also incorporates the rents in affluent neighborhoods and even surrounding suburbs.<sup>86</sup> The result is that many more rental units are affordable with a voucher in lower-quality neighborhoods and families tend to remain in these locations even after receiving a voucher. Research from a pilot project in Dallas, Texas showed that adjusting rent ceilings so that they are based on the much smaller geographic area defined by a ZIP code led landlords to adjust rents such that voucher families were able to relocate to neighborhoods that were 0.23 standard deviations higher in quality (per the aforementioned neighborhood quality index in the **Policy Proposal**

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<sup>84</sup> “The Importance of Social Equity in Public Administration,” *University of San Francisco*, accessed March 22, 2019, <https://onlinepadegree.usfca.edu/news-resources/infographics/the-importance-of-social-equity-in-public-administration/>.

<sup>85</sup> Robert Collinson and Peter Ganong, “How Do Changes in Housing Voucher Design Affect Rent and Neighborhood Quality?” *American Economic Journal: Economic Policy* (2018) no. 10(2): 62-89 <https://pubs.aeaweb.org/doi/pdf/10.1257/pol.20150176>.

<sup>86</sup> Jake Blumgart, “What an Affordable Housing Moonshot Would Look Like,” *Slate*, July 1, 2016, <https://slate.com/business/2016/07/its-time-for-universal-housing-vouchers.html>.

section). Better still, the policy was budget-neutral: while increasing the rent ceiling normally leads landlords to increase rents and vice versa, the data showed that average voucher rents remained essentially unchanged after adjusting the rent ceilings by ZIP code. Thus, setting higher rent ceilings in high-quality neighborhoods and lowering ceilings in low-quality neighborhoods enhances equity by giving voucher families access to almost as wide a range of neighborhoods as families who do not need rental assistance.<sup>87</sup>

Although this policy has many benefits in terms of fairness from tenants' point of view, it does have a significant downside for landlords—i.e., that landlords no longer have the option to decline to participate in the voucher program.

- **Mandating landlord participation may be unfair.** One could argue that requiring landlords to accept housing vouchers places an excessive burden on those landlords, and that this policy is therefore unequitable for them. This paper has already discussed discrimination as one possible reason that landlords currently refuse to accept voucher families, but it is important to note that landlords have many practical considerations as well: HUD has found that besides “potential problems with tenants,” the two most commonly cited reasons that landlords refuse to accept housing vouchers are “too many regulations” and “too much paperwork.” Participating in the housing voucher program increases landlords’ administrative requirements and requires them to comply with additional building codes and inspections, both of which drive up landlords’ expenditures of both time and money.<sup>88</sup>

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<sup>87</sup> Robert Collinson and Peter Ganong, “How Do Changes in Housing Voucher Design Affect Rent and Neighborhood Quality?” *American Economic Journal: Economic Policy* (2018) no. 10(2): 62-89, <https://pubs.aeaweb.org/doi/pdf/10.1257/pol.20150176>.

<sup>88</sup> Matthew Desmond, *Evicted: Poverty and Profit in the American City* (New York City: Penguin Random House LLC, 2016), 310.

In implementing this policy proposal, HUD and PHAs must account for landlords' apprehensions about participating in the voucher program and acknowledge that these concerns are legitimate. As described in the **Policy Proposal** section, it is essential that HUD and PHAs engage in supportive and ongoing outreach to landlords to ensure that they are aware of how the program is likely to benefit them as well. Although this policy's requirement that all landlords participate may not be viewed as fair, HUD and PHAs must make clear that expanded rental assistance is likely to benefit both tenants and landlords: as the Bipartisan Policy Center has pointed out, housing vouchers are not only a social program designed to help low-income families, they are also a large-scale investment in communities' housing infrastructure. When tenants cannot afford to pay their rent, landlords are forced to a less desirable outcome, for instance, foregoing a profitable return on their investment or making up the deficit by deferring maintenance on their units. Housing vouchers help close the gap between the cost of owning and operating homes (which falls on the landlord) and the rent that tenants can afford to pay, helping both parties in the process.<sup>89</sup>

Through speaking with many landlords during the course of his research on housing, Dr. Matthew Desmond has found that many landlords would be supportive of an expanded voucher program. Tenants who are more reliably able to pay their rent create a more stable situation for landlords—the income stream generated from rent would be guaranteed and landlords would not need to go to the trouble of evicting their residents.<sup>90</sup>

### ***Administrative Capacity***

Possibly the most significant disadvantage of this policy proposal is that it would require a substantial increase in administrative resources and personnel, particularly at the PHA level. Current administrative capacity would not be sufficient to cover a 3.1 million increase in the

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<sup>89</sup> "Housing America's Future: New Directions for National Policy," *Bipartisan Policy Center*, February 2013, [https://bipartisanpolicy.org/wp-content/uploads/sites/default/files/BPC\\_Housing%20Report\\_web\\_0.pdf](https://bipartisanpolicy.org/wp-content/uploads/sites/default/files/BPC_Housing%20Report_web_0.pdf).

<sup>90</sup> Jake Blumgart, "What an Affordable Housing Moonshot Would Look Like," *Slate*, July 1, 2016, <https://slate.com/business/2016/07/its-time-for-universal-housing-vouchers.html>.



number of vouchers delivered, in addition to the tremendous increase in resources needed to work with the greater number of landlords who would be participating in the voucher program.

Neither the Bipartisan Policy Center nor Dr. Matthew Desmond’s proposals discuss the additional monetary and staffing resources that would be needed to implement this policy. Given that the current housing voucher program administers vouchers for approximately 3.6 million families and this policy would add 3.1 million, this proposal estimates approximately an 86.1 percent increase ( $3.1/3.6 = 0.861$ ) in administrative personnel and resources needed for implementation. This accords with the total cost estimate of \$30.8 million per year, an increase of 87 percent over HUD’s current budget for rental assistance.<sup>91</sup>

Although it would take a significant increase in time and resources to build the capacity needed to implement an expanded housing voucher program, an associated positive effect would be the creation of many new jobs—a boost to the economy. Moreover, although it is beyond the scope of this policy proposal to dictate to HUD how they should administer the policy, you may be able to assist implementation by recommending that HUD consider existing proposals to reduce costs associated with operating the housing voucher program. For example, the Public Housing Authorities Directors Association and National Association of Housing and Redevelopment Officials put forward a joint reform proposal that would reduce administrative burdens for both HUD and PHAs responsible for operating both public housing and the housing voucher program.<sup>92</sup>

## **POLITICAL ANALYSIS**

This section will detail the political implications of this policy proposal, including the likelihood of support or opposition from key actors, the public’s probable reaction, and potential

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<sup>91</sup> “Background Memorandum: Measuring Likely Participation in an Open-Enrollment Housing Voucher Program for Extremely Low-Income Households,” *Bipartisan Policy Center*, January 2015, <https://bipartisanpolicy.org/wp-content/uploads/2015/01/Housing-Voucher-Recommendation-Memo-January-2015.pdf>.

<sup>92</sup> “Small Housing Authority Reform Proposal (SHARP,” *National Association of Housing and Redevelopment Officials*, accessed March 24, 2019, <http://www.nahro.org/SHARP>.

tactics to employ when introducing this policy to Congress. The analysis in this section will show that although an expansion of the housing voucher program would likely be popular among Democrats and a large proportion of the general public, Republicans and the White House would likely disapprove. Moreover, given the hefty price tag of this proposal—an additional \$30.8 billion annually—Congress would probably decline to enact the bill proposed in this paper. However, this section concludes that despite the policy proposal’s low likelihood of success, it would be politically beneficial for you to introduce this bill in Congress anyway.

### ***Positions of Key Stakeholders***

As alluded to throughout this paper, interest groups like the NLIHC and think tanks such as the Bipartisan Policy Center strongly support expanding the housing voucher program. However, this is not necessarily true of all the major actors who would be involved in shaping and implementing this legislation. This section summarizes the likely positions these stakeholders would take were you to introduce this policy proposal in Congress.

**The White House.** The Trump administration has consistently sought to scale down many affordable housing programs but has thus far been unsuccessful. In 2019, the White House released its initial budget request for FY 2020, which included proposals to eliminate the Public Housing Capital Fund (which provides support for improving public housing), as well as several community development funds and housing block grant programs.<sup>93</sup> This is the fourth time the administration has proposed these kinds of cuts to federal housing assistance, but Congress voted against them in 2017, 2018, and 2019.<sup>94</sup>

On the other hand, the White House has not targeted the housing voucher program in its attempts to slash federal housing assistance. In fact, the Trump administration authorized a large

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<sup>93</sup> Jeff Andrews, “Trump administration proposes dramatic cuts to public housing—again,” *Curbed*, March 11, 2019, <https://www.curbed.com/2019/3/11/18260492/trump-2020-budget-proposal-cuts-hud-dot>.

<sup>94</sup> Jeff Andrews, “What the federal budget deal means for affordable housing,” *Curbed*, February 15, 2019, <https://www.curbed.com/2019/2/15/18226253/budget-deal-affordable-housing-hud>.

increase in funding for an Obama-era public housing program called Rental Assistance Demonstration (RAD), the primary purpose of which is to privatize existing public housing but which also includes a component that enables tenants to request a voucher to move out of a RAD-converted property after one or two years. At the time of its inception seven years ago, RAD enjoyed bipartisan support, and “beleaguered affordable housing advocates have reacted with cautious approval” to the latest expansion.<sup>95</sup>

While the White House may not, in principle, be opposed to the use of vouchers as a tool for affordable housing, it seems likely that the current administration would oppose any expansion of an existing federal housing program (even if reformed) given the severe austerity of its last several budget proposals.

**HUD.** As a Trump appointee and ally of the president, HUD Secretary Ben Carson is likely to adhere to the White House’s stance on housing assistance programs. In 2018, Secretary Carson unveiled a plan to overhaul all three of HUD’s rental assistance programs (the housing voucher program, project-based rental assistance, and public housing). The reformed programs would have required families receiving assistance to contribute 35 percent of their income, rather than 3 percent, and would have imposed a minimum work requirement.<sup>96</sup> Secretary Carson has stated in the past that he believes the current HUD rental assistance programs “do not promote economic freedom” and do not encourage people to attain jobs or economic independence. During his presidential campaign, Carson asserted that welfare programs create cultures of dependency, which is presumably the motivation behind reforming Section 8 housing programs to include a work requirement.<sup>97</sup>

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<sup>95</sup> Rachel M. Cohen, “Donald Trump and the GOP are Expanding a Controversial Obama-Era Public Housing Program,” *The Intercept*, April 2, 2018, <https://theintercept.com/2018/04/02/rental-assistance-demonstration-housing-congress-private-tenants-rights/>.

<sup>96</sup> Katy O’Donnell, “Carson wants poor to pay more rent, work for assistance,” *Politico*, April 25, 2018, <https://www.politico.com/story/2018/04/25/carson-proposes-that-poor-should-pay-more-rent-504401>.

<sup>97</sup> Rachel M. Cohen, “Ben Carson, the GOP, and Subsidized Housing,” *The American Prospect*, December 16, 2016, <https://prospect.org/article/ben-carson-gop-and-subsidized-housing>.

Secretary Carson would likely not support an expansion of the housing voucher program in its current form, and still less if it were reformed to more closely resemble welfare programs such as SNAP (as this proposal suggests).

**Congress.** As mentioned above, Congress has consistently shot down the White House's attempts to eliminate key housing assistance programs. Although hard-liner conservatives criticized the president for signing annual budgets that did not include these cuts, it seems that many members of Congress were wary of displeasing constituents who rely on affordable housing assistance.<sup>98</sup>

While the mainstream Republican platform on housing generally supports scaling back the federal government's role in housing finance,<sup>99</sup> Republicans have proved much less willing than the White House to implement severe spending cuts. When, in 2018, the president proposed reducing the Environmental Protection Agency's budget by one-third, House Republicans countered with just a six percent reduction. Republicans also called for much more modest reductions to the Department of State, National Endowment for the Arts, and Corporation for Public Broadcasting compared to the Trump administration's proposals.<sup>100</sup> In fact, in the 2019 budget passed by Congress and signed by the president after the prolonged impasse resulting in the government shutdown, housing vouchers received a 2.65 percent increase in funding for a total of \$22.5 billion, indicating that Republicans in both the House and the Senate did not consider decreases in federal housing assistance programs to be a top priority.<sup>101</sup>

This does not mean that Republicans would support an expansion of the housing voucher program on the large scale proposed herein. The significant price tag attached to this policy

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<sup>98</sup> Jeff Andrews, "What the federal budget deal means for affordable housing," *Curbed*, February 15, 2019, <https://www.curbed.com/2019/2/15/18226253/budget-deal-affordable-housing-hud>.

<sup>99</sup> Diane Yentel, "Point of View: Elevating the Affordable Housing Crisis in the Elections," *National Low Income Housing Coalition*, July 25, 2016, <https://nlihc.org/resource/point-view-elevating-affordable-housing-crisis-elections>.

<sup>100</sup> Russell Berman, "All the Trump Budget Cuts Congress Will Ignore," *The Atlantic*, February 12, 2018, <https://www.theatlantic.com/politics/archive/2018/02/trump-budget-congress/553085/>.

<sup>101</sup> Jeff Andrews, "What the federal budget deal means for affordable housing," *Curbed*, February 15, 2019, <https://www.curbed.com/2019/2/15/18226253/budget-deal-affordable-housing-hud>.

would likely be enough to lose support from a majority of Republican representatives, but Republicans do not appear to be wholly opposed to housing vouchers as a notion. H.R. 1122, the Housing Choice Voucher Mobility Demonstration Act of 2019, was introduced in February 2019 and passed the House with 219 votes from Democrats and 168 votes from Republicans (only 22 Republicans voted against, and seven abstained).<sup>102</sup> This legislation establishes a pilot demonstration that uses housing vouchers to encourage families to move out of high-poverty areas—the large degree of Republican support could be an indication of approval (or at least, lack of disapproval) of the housing voucher program more generally.

Democrats in Congress are likely to be supportive of this policy in principle—the Democratic party has long emphasized providing more federal support for those in need of affordable housing, and the 2016 official party platform commits Democrats to working toward increasing funding for the housing voucher program specifically.<sup>103</sup> Any hesitation from Democrats would most likely be on the basis of cost only—a nearly \$31 billion annual increase in the program’s budget may strike some Democrats as politically unpalatable, even if their constituents would support expanding access to housing vouchers.

**State and Municipal Actors.** The NCSHA, NACo, and NAHRO (mentioned in the **Key Actors** section) both take supportive positions on housing vouchers. NCSHA reports that “Advocating for funding adequate to renew all authorized vouchers and provide for new ones” is one of its top legislative priorities.<sup>104</sup> Similarly, NACo’s website states that it “..supports an increase in the supply of affordable housing through increased federal appropriations for key housing and community development programs” including Section 8 vouchers.<sup>105</sup> In addition,

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<sup>102</sup> “Final Vote Results for Roll Call 119,” *House.gov*, March 11, 2019, <http://clerk.house.gov/evs/2019/roll119.xml>.

<sup>103</sup> “The 2016 Democratic Platform,” *Democrats.org*, accessed April 6, 2019, <https://democrats.org/about/party-platform/#affordable-housing>.

<sup>104</sup> “Housing Choice Vouchers,” *NCSHA*, accessed April 6, 2019, <https://www.ncsha.org/advocacy-issues/housing-choice-vouchers/>.

<sup>105</sup> Daria Daniel, “Affordable Housing Federal Programs and Legislation,” *NACo*, May 14, 2018, <https://www.naco.org/articles/affordable-housing-federal-programs-and-legislation>.

NAHRO's 2019 legislative priorities include, "Support full funding for the Housing Choice Voucher Program," but do not mention expanding or increasing funding for the program.<sup>106</sup> In the event that this policy were proposed, these group would be expected to voice their support publicly.

**Landlords.** The aspect of this policy proposal that landlords would most likely have strong opinions about is the piece on compulsory participation. States such as California, New York, and Washington have already passed laws prohibiting landlords from refusing to rent to families based on "source of income"—this category includes families that use housing vouchers. Whether landlords would support such a policy at the national level is difficult to predict. The California chapter of the National Association of Residential Property Managers took a strong stance against legislation forcing landlords to participate in the Section 8 voucher program.<sup>107</sup> Through the Colorado Apartment Association, landlords have mobilized against similar legislative attempts in Denver, Boulder, and the State of Colorado.<sup>108</sup> However, despite resistance to previous laws, landlords in Washington actually worked with lawmakers to shape the State's 2018 bill protecting voucher holders.<sup>109</sup> In addition, a HUD report from 2018 examining landlord attitudes about the housing voucher program found that landlords' enthusiasm for participating in the program fluctuated widely based on local market context and demographics, so it may be that landlord support for this policy proposal would be similarly varied.<sup>110</sup>

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<sup>106</sup> "2019 NAHRO Priorities," *National Association of Housing and Redevelopment Officials*, accessed April 6, 2019, [http://www.nahro.org/sites/default/files/searchable/NAHRO\\_Priorities\\_for\\_Members\\_Final.pdf](http://www.nahro.org/sites/default/files/searchable/NAHRO_Priorities_for_Members_Final.pdf).

<sup>107</sup> "Take Action Today to Stop Mandated Section 8," *National Association of Residential Property Managers Action Center*, accessed April 13, 2019, <https://app.muster.com/take-action/XCrIvQkFFt/>.

<sup>108</sup> Shay Castle, "Landlords mobilize as Boulder moves to protect low-income, undocumented renters," *Boulder News*, June 2, 2018, [http://www.dailycamera.com/news/boulder/ci\\_31918320/landlords-mobilize-boulder-moves-protect-low-income-undocumented](http://www.dailycamera.com/news/boulder/ci_31918320/landlords-mobilize-boulder-moves-protect-low-income-undocumented).

<sup>109</sup> Agueda Pacheco-Flores, "Washington Legislature considers banning housing discrimination based on income source," *The Seattle Times*, February 12, 2018, <https://www.seattletimes.com/seattle-news/politics/washington-legislature-considers-banning-housing-discrimination-based-on-income/>.

<sup>110</sup> "Urban Landlords and the Housing Choice Voucher Program," *U.S. Department for Housing and Urban Development*, May 2018, <https://www.huduser.gov/portal/sites/default/files/pdf/Urban-Landlords-HCV-Program.pdf>.

## ***Public Opinion***

Although it is difficult to identify data on the public's opinion regarding the housing voucher program specifically, there have been several nationwide studies on attitudes toward affordable housing in general. The results of the surveys discussed in this section are mixed but support the notion that there is a widespread concern among the American people about unaffordable housing costs.

A detailed review of existing public opinion research on affordable housing from 2004 found that in aggregate, the surveys under review demonstrated prevailing agreement among the American people that the government should take responsibility for assisting people in need of housing, although results varied. One poll found that 84 percent of Americans would like the federal government to either increase spending on housing aid or keep spending the same, while another poll found that 75 percent of respondents supported the government spending more on housing for poor people. The results of a third poll showed that 33 percent of voters report that it is “absolutely essential” for Congress to provide adequate federal funding for housing for low-income families, but respondents were less concerned about housing than health care—53 percent reported that providing health care for low-income people was “absolutely essential.”<sup>111,112</sup>

The Urban Institute's 2015 “How Housing Matters” public opinion survey of 1,400 individuals showed that respondents are concerned about the unaffordability of housing but are divided on whose responsibility it is to fix it. Americans tended to overwhelmingly agree that housing affordability is a problem (81 percent), but only 50 percent reported that they want their federal elected officials to prioritize addressing affordable housing.<sup>113</sup>

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<sup>111</sup> “What We Know About Public Attitudes on Affordable Housing,” *The Campaign for Affordable Housing and Belden Russonello & Stewart*, May 2004, <http://htfp.wpengine.com/wp-content/uploads/2011/10/TCAH-Public-Attitudes.pdf>.

<sup>112</sup> Note: Respondents could also choose to rate services such as health care or housing “very important but not essential” or “less important.” The percentage of respondents who rated housing for low-income individuals “very important but not essential” is not reported.

<sup>113</sup> “Poll: U.S. Worried about Social Mobility & Housing Affordability,” *How Housing Matters* and *Hart Research Associates*, June 9, 2015, <https://howhousingmatters.org/articles/how-housing-matters-2015-poll/>.

Most recently, a 2019 poll of 1,201 adults commissioned by the NLIHC-led “Opportunity Starts at Home” campaign found that Americans believe affordable housing should be a top national priority. Furthermore, the poll found that approximately 80 percent of respondents believed it is the responsibility of Congress and the president to “take major action” to increase housing affordability for low-income households.<sup>114</sup> 68 percent of those surveyed reported that they believe the government is doing too little to ensure an adequate supply of affordable housing, and 76 percent said that they would be more likely to vote for a candidate who offers a detailed plan to make housing more affordable. Results varied according to respondents’ self-identified political party affiliation, but more than half of respondents from all political parties reported that they wish their elected officials to improve housing affordability. In response to the statement, “Congress should take major action to make housing more affordable for low-income people,” 93 percent of Democrats either strongly agreed or somewhat agreed, compared to 80 percent of Independents and 65 percent of Republicans.<sup>115</sup>

In sum, it appears that Americans are generally concerned about the increasing cost of housing, but results concerning whether the federal government should take action and how high a priority housing should be were less certain. However, given the overall support for making housing more affordable (regardless of whose responsibility that would be), it is likely that federal action to reduce housing costs would receive more approval than disapproval from voters.

### ***Suggested Political Tactics***

Based on the analysis above, this policy has the potential to earn broad (and possibly even bipartisan) support at a conceptual level among both the public and elected representatives. However, the practical concern of cost is most likely to cause it to fail in Congress. It is possible

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<sup>114</sup> “New National Public Opinion Poll Shows Vast Majority of Americans Believe Affordable Housing Should be a ‘Top National Priority,’ *National Low Income Housing Coalition*, March 18, 2019, <https://nlihc.org/resource/new-national-public-opinion-poll-shows-vast-majority-americans-believe-affordable-housing>.

<sup>115</sup> “The Need for Action on Housing Affordability,” *Opportunity Starts at Home*, March 2019, <https://www.opportunityhome.org/wp-content/uploads/2019/03/Full-Report-PPT-NoEM.pdf>.



that a companion bill introduced in the House would pass, given that the House is now controlled by the Democrats, but it would probably fail when it reached the Republican-controlled Senate.

Nonetheless, there are some mitigating actions that you can take to potentially build more support for this policy among the conservatives. First, the way that this policy is described could have a large impact on Republicans. Avoid employing the phrase “universal housing voucher program,” which has been used by Dr. Desmond in his proposal. As noted by the president of the Urban Land Institute’s Terwilliger Foundation for Housing, the term “universal vouchers” won’t sell with the Republicans.<sup>116</sup> The more neutral phrase “open-enrollment voucher program” may be less politically provocative. Similarly, although this paper draws the comparison, play down this policy’s similarity to welfare programs like SNAP. Promoting this idea as a social program would draw instant opposition from Republicans.

The key may be to remind Republicans in Congress that the housing voucher program was created during the Nixon era as a market-based solution to affordable housing. At the time of its inception, conservatives supported this program as an economical alternative to building and maintaining public housing.<sup>117</sup> One could also point to the example of the LIHTC—the use of tax credits to encourage construction of affordable housing was a Republican idea that became popular during the Reagan administration.<sup>118</sup> The housing voucher program and the LIHTC were both meant to enable private entities to solve the problem of affordable housing through free-market capitalism.

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<sup>116</sup> Jake Blumgart, “What an Affordable Housing Moonshot Would Look Like,” *Slate*, July 1, 2016, <https://slate.com/business/2016/07/its-time-for-universal-housing-vouchers.html>.

<sup>117</sup> Howard Husock, “The Housing Reform That Backfired,” *City Journal*, 2004, <https://www.city-journal.org/html/housing-reform-backfired-12804.html>.

<sup>118</sup> Robert Gebelhoff, “Homelessness is on track to become much worse. Blame Republicans,” *The Washington Post*, March 1, 2018, [https://www.washingtonpost.com/blogs/post-partisan/wp/2018/03/01/homelessness-is-on-track-to-become-much-worse-blame-republicans/?utm\\_term=.cb02a3ae2cce](https://www.washingtonpost.com/blogs/post-partisan/wp/2018/03/01/homelessness-is-on-track-to-become-much-worse-blame-republicans/?utm_term=.cb02a3ae2cce).

### ***Political Costs and Benefits***

The probability that a bill introduced in Congress will ever become a law has always been low—in the last ten years, each session of Congress has enacted only two or three percent of all the legislation they have considered.<sup>119</sup> Despite these low odds and the previous section’s prediction that this policy proposal would not pass Congress, it is still recommended that you introduce it. The mere act of introducing a bill in Congress is a political act that can have positive and negative repercussions for your political career. In this case, the benefits would be that it would strengthen your record on affordable housing and would likely be well received by your constituents. On the other hand, a potential political cost could be that your support is diverted from a competing bill that has a better chance of passing.

Bill sponsorship is in itself a legislative tool, and senators’ choice of bills reflects their best judgment of the effectiveness of these policies to achieve their goals.<sup>120</sup> You were quoted in 2018 as saying, “As long as there is air in my lungs, I will continue to fight tirelessly on behalf of New Yorkers to protect affordable housing, both here in [New York City] and across the state.”<sup>121</sup> Introducing this policy proposal in Congress would serve as powerful evidence to back up those words and demonstrate to your constituents that you remain dedicated to this issue.

Moreover, your constituents would be likely to support the policy itself. As alluded to above, New York State has already passed legislation protecting voucher holders from discrimination from landlords.<sup>122</sup> This suggests that New York voters would probably support a similar policy implemented at the national level. Moreover, a 2014 report from the State of New

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<sup>119</sup> “Statistics and Historical Comparison,” *GovTrack*, accessed April 13, 2019, <https://www.govtrack.us/congress/bills/statistics>.

<sup>120</sup> Wendy J. Schiller, “Senators as Political Entrepreneurs: Using Bill Sponsorship to Shape Legislative Agendas,” *American Journal of Political Science* (1995), 39 (no. 1), 186-203, <https://www-jstor-org.proxy1.library.jhu.edu/stable/pdf/2111763.pdf?refreqid=excelsior%3A7444b6cf7453f2ea23ac32858d6909d0>.

<sup>121</sup> “Senator Charles E. Schumer, Representative Adriano Espaillat and Local Leaders Laud Federal Funding Victory for Lakeview Housing,” *Congressmember Adriano Espaillat*, April 16, 2018, <https://espaillat.house.gov/media/press-releases/senator-charles-e-schumer-representative-adriano-espaillat-and-local-leaders>.

<sup>122</sup> “New York State Bans Source of Income Discrimination,” *Westchester Residential Opportunities*, accessed April 13, 2019, <https://wroinc.org/new-york-state-bans-source-of-income-discrimination/>.

York Comptroller found that housing has become less affordable in recent years—from 2000 to 2012, the proportion of households with unaffordable rents increased from 40.5 percent to 50.6 percent. In 2012, more than 25 percent of households statewide were severely cost burdened.<sup>123</sup> As affordable housing has remained a pervasive issue in your state, it may increase your political popularity if you were seen to be attempting to address this problem.

Although there are obvious political benefits to introducing this policy in Congress, a possible downside is the opportunity cost associated with setting aside other issues that may also help to shape your reputation. As Wendy Schiller writes, “The lack of attention to an issue may serve as fodder for an election opponent and cost the senator votes, or it could become a ‘hot’ issue and cost the senator valuable publicity.”<sup>124</sup> However, there is a strong argument that now is a very good time to be seen doing something about housing. It appears that affordable housing is likely to become a prominent issue among Democratic candidates in the 2020 presidential primaries—popular front-runners Elizabeth Warren, Kamala Harris, and Cory Booker have already publicized their own sweeping proposals for reforming housing in the United States. Candidate Julián Castro has also stated that he plans to make the issue of housing central to his campaign.<sup>125</sup> Since affordable housing seems to be rising on the Democrats’ political agenda of late, and as you are a high-profile leader of the Democratic party, you would not be likely to incur significant political damage by investing your time and energy in an affordable housing policy.

## **RECOMMENDATION**

Based on the analysis presented in this paper, it is recommended that you introduce an amendment to Section 8 of the Housing and Community Development Act to expand the Housing

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<sup>123</sup> Thomas P. DiNapoli, “Housing Affordability in New York State,” *State of New York Comptroller*, March 2014, [https://www.osc.state.ny.us/reports/housing/affordable\\_housing\\_ny\\_2014.pdf](https://www.osc.state.ny.us/reports/housing/affordable_housing_ny_2014.pdf).

<sup>124</sup> Wendy J. Schiller, “Senators as Political Entrepreneurs: Using Bill Sponsorship to Shape Legislative Agendas,” *American Journal of Political Science* (1995), 39 (no. 1), 186-203, <https://www-jstor-org.proxy1.library.jhu.edu/stable/pdf/2111763.pdf?refreqid=excelsior%3A7444b6cf7453f2ea23ac32858d6909d0>

<sup>125</sup> Henry Kraemer, “Analyzing The 2020 Presidential Contenders’ Housing Policies,” *Data for Progress*, February 19, 2019, <https://www.dataforprogress.org/blog/housing>.

Choice Voucher Program. Despite the low likelihood of this legislation passing in Congress, the merits of the policy and the political benefits to you of taking a strong line on affordable housing make introducing such an amendment worthwhile.

The largest drawback of this policy proposal is its sizable cost, which will make it unappealing to Republicans in Congress who traditionally advocate for limited government spending (particularly for programs that could be seen as “handouts”). In addition to framing this policy as a market-oriented solution, you may also be able to sway some Republicans by emphasizing that some of the cost is expected to decrease over time as families increase their income and transition off of housing assistance. In the long term, the intent of this program is to continually reduce the number of families that will need it. Showing that the goal of the housing voucher program is to become obsolete one day (or at last, vastly reduced in scale) may help reconcile some Republicans to the large start-up cost.

Nonetheless, this policy proposal has numerous upsides that outweigh its lack of political feasibility. For instance, the political value of this policy would likely be considerable—the vast majority of Americans continue to be concerned about the cost of housing and expanding the housing voucher program could be seen as a sign that the Democratic Party is serious about improving living conditions across the United States. While it may seem radical to increase the program on such a large scale, the policy would most likely be well received among Democratic voters—those responsible for voting you into office. Analysis of political alignments has been showing that Democrats as a whole are shifting left,<sup>126</sup> which indicates that bold policies like this one may be more politically viable than they used to be. Although voters may be somewhat divided on how they believe the government should address housing issues, scarcely anyone

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<sup>126</sup> David Weigel and Jenna Johnson, “Democrats and their voters have shifted left as 2020 nears. They’re betting the rest of the country follows,” *The Washington Post*, January 22, 2019, [https://www.washingtonpost.com/politics/democrats-and-their-voters-have-lurched-left-as-2020-nears-theyre-betting-the-rest-of-the-country-follows/2019/01/22/ba2e9800-1b55-11e9-9ebf-c5fed1b7a081\\_story.html?utm\\_term=.c12889a297da](https://www.washingtonpost.com/politics/democrats-and-their-voters-have-lurched-left-as-2020-nears-theyre-betting-the-rest-of-the-country-follows/2019/01/22/ba2e9800-1b55-11e9-9ebf-c5fed1b7a081_story.html?utm_term=.c12889a297da).

would be likely to oppose “affordable housing for all”—a phrase you could use in your introduction of this amendment on the Senate floor.

In addition to the political benefits, the policy itself has numerous advantages. In promoting this policy, focus on the myriad benefits of having a safe, stable place to live—in short, the effects on household stability, education, health, financial well-being, and crime enumerated in the **Statement of the Problem** section. Moreover, tout the evidence that exists already in favor of the housing voucher program: according to analysis by the Center on Budget and Policy Priorities (CBPP), housing vouchers reduced homelessness by seven percent and decreased the share of families living in crowded conditions by 24 percent from 2000-2004. In 2014 alone, housing vouchers and other rental assistance programs lifted 2.8 million people above the poverty line (CBPP estimates that vouchers alone account for at least half of that effect).<sup>127</sup> In short, we already know that this program is effective for the families who are lucky enough to receive it currently—an expanded housing voucher program would mean that these benefits would be enjoyed by millions more families across the United States.

You can also make the assertion that this policy is not just an expansion of the current housing voucher program, but an improvement on it. Tying rental ceilings to ZIP codes is an innovation that has been shown to help families move into neighborhoods with more job opportunities, better schools, and lower crime rates. HUD has already begun experimenting with this idea, piloting a similar program with voucher holders in 23 cities in 2018.<sup>128</sup> You could point to the HUD pilot as evidence of the current administration’s support for this type of policy.

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<sup>127</sup> Will Fischer, “Research Shows Housing Vouchers Reduce Hardship and Provide Platform for Long-Term Gains Among Children,” *Center on Budget and Policy Priorities*, October 7, 2015 <https://www.cbpp.org/research/housing/research-shows-housing-vouchers-reduce-hardship-and-provide-platform-for-long-term?fa=view&id=4098>.

<sup>128</sup> Anthony Campisi, “New HUD rules enable Voucher Holders to Use Vouchers in Higher-Rent Communities,” *Fair Share Housing Center*, January 22, 2018, <http://fairsharehousing.org/blog/entry/new-hud-rules-enable-voucher-holders-to-use-vouchers-in-higher-rent-communi/>.

This policy is highly ambitious—a nearly \$31 billion increase in the budget of a single federal housing program will probably be too substantial a request for the legislature. But although the policy may not have enough political support to pass both chambers of Congress, there are enough points in favor of the policy that you could make a strong case for why it should—in a perfect world—become law. Besides the many virtues of the policy itself, making an aggressive push for housing policy reform would solidify your reputation as a nationwide leader in affordable housing.

## **CURRICULUM VITAE**

Hannah Chen was born on June 29, 1992 in Chicago, Illinois and grew up in Bainbridge Island, Washington. She graduated from Bainbridge High School in 2010 and went on to attend Grinnell College, graduating with honors in 2014 with a Bachelor of Arts in International Relations. The focus of Hannah's collegiate studies was Sino-American relations. She has studied Mandarin Chinese and lived briefly in Beijing where she took classes at Beijing University and taught English as a second language. After completing her undergraduate education, Hannah began a career in management consulting for federal clients, including the Federal Emergency Management Agency (FEMA) and the U.S. Agency for International Development (USAID). She currently works as a consultant for Deloitte, where she executes workforce analytics projects for her clients at the Federal Bureau of Investigation (FBI).